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1. Heavy industry in Czechoslovakia is receiving the greatest attention within the framework of the Five Year Plan. The following are considered to be the principal reasons for this emphasis:
  - a. Heavy industry allows for wage payment per finished piece.
  - b. The need for raw material per finished piece is generally smaller in heavy industry. This is of considerable importance in Czechoslovakia because of the well-known raw material shortages and the necessity for importing much of the needed raw materials from hard currency countries.
  - c. In the long run heavy industry products have a better export market. This is of significance in connection with the long-term delivery agreements for Czech exports within the framework of Czechoslovakia's investment program and of the industrialization plan for the Eastern Bloc states.
  - d. This preference for heavy industries as well as for the export of all types of machine tools is related to armament and military preparations.
  - e. As a result of Czech export difficulties, which have steadily increased during 1950, there are considerable surpluses in several of the light industry categories, especially in textiles, leather, shoes, and wooden products. These accumulated surpluses have improved the condition of the internal market for these commodities in recent months.
2. It is now quite apparent that Czech light industry will not be expanded further and that investments will be confined to the most urgent repairs. It has also been decided that raw materials for light industry will be obtained insofar as possible from domestic sources and from substitute and synthetic materials where practicable.

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3. In general, the following principles will govern Czech industry:

- a. In order to utilize industrial capacity more intelligently, production will be confined to two daily shifts in accordance with the Soviet pattern. The third shift will be used for making the necessary adjustments and repairs to machinery. It should be noted that at present the second and third shifts are working with only about 10 percent of their force.
- b. The application of the "fixed norm" is the main problem. It is well-known, for example, that workers' wages have suffered from the production achievements of special "shock workers". At present all factories are studying closely their "work norms". It is planned that existing wage rates will remain in force for one year in order to settle the workers' fears that their wages will be further decreased in the event that they reach or surpass the norm.
- c. Individual factories are to fulfill the following tasks:

- 1) Examine production capacity in order to achieve better utilization of machinery.
- 2) Study existing raw material supplies in view of the mounting difficulties in obtaining raw materials. It has been found that individual industrial sectors have accumulated great quantities of raw materials and semi-finished goods which greatly exceed the planned requirements of the individual factories for the current year. In some instances, these stocks have not even been included in the firms' accountings for the purpose of insuring flexible reserves in times of emergency. Some factories are storing excessively large supplies of machine tools and spare parts, at the same time that other factories are suffering work stoppages while waiting for the same spare parts to be received from abroad.
- 3) Train young people in skilled work, which is considered very important especially politically. The highest political offices are now stressing the need for allowing skilled laborers, foremen and engineers to contribute their advice so as to utilize fully the knowledge of these experts. Trade union leaders are now being officially criticized for having allowed purely political considerations to prejudice them against the sound advice of experts in technical matters, often to the detriment of the planned economy. From now on an attempt will be made to achieve a union of these two elements.
- 4) Transfer responsibility, in the course of a general decentralization, to the individual workshops, work groups and even to individual workers.

5. The expansion of heavy industry does not depend so much on exploiting available machinery as on a solution of the following difficulties:

- a. Construction activity called for by the investment program was a complete failure during 1948 and 1949, the first two years of the Five Year Plan. Satisfactory results were achieved in this field only in 1950, when a great number of new structures in Bohemia and Moravia, and especially in Slovakia, were completed.
- b. The main problem is to meet electric power requirements. Great difficulty has already been experienced, and careful preparations are being made in order that the fall and winter power consumption peaks can be met. First of all, factory shift schedules must be adjusted to fit available power supply. Staggered working hours have also been ordered for shops and offices in order to make the most economical use of the supply of power. The problem of furnishing power to the large new industrial enterprises, which are scheduled for completion in 1950 and 1951, remains to be solved. Consequently, all available labor and material are being used to complete the construction of electric power plants on schedule. At the same time, day and night shifts are working continuously on the repair of boilers, generators and distribution stations. The procurement of electric power as well as raw materials from hard currency countries seems to be the largest immediate problem of the Czech economy.

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6. Because of the raw material shortage, nonferrous metals have been subjected to strict rationing, and strong measures are being taken to control their use. In general it can be said that the top economic policy planners are striving to obtain large supplies of these metals, as well as of nickel, ferromanganese, wolfram, and molybdenum, in order to build up a strategic reserve for any eventuality.

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